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STATE FOR WHA/BSC, INL/LP (JIM HIDES)
EB/IFD/OIA
STATE PASS TO USAID FOR LAC/AA
STATE PASS TO USTR FOR LYANG
NSC FOR SUE CRONIN
TREASURY FOR OSIA MAUREEN WAFER
TREASURY FOR OTA WARFIELD, VAN KOCH, MILLAR
COMMERCE FOR ITA SARAH COOK
SOUTHCOM FOR POLAD

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SUBJECT: PARAGUAY POLITICAL AND ECONOMIC UPDATE, NOVEMBER
25 - DECEMBER 1

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OVIEDO SENTENCE CONFIRMED, PROMPTING PROTESTS

12. (U) The Supreme Court rejected a motion by General Lino Oviedo and UNACE Senator Jose Manuel Bobeda November 14 to overturn their convictions and sentences of 3 to 10 years respectively for their involvement in the 1996 coup attempt. Oviedo and Bobeda had argued it was unconstitutional for their case to have been tried before a military court. Oviedo was imprisoned upon his return in June 2004 from having taken refuge in Brazil and is now only in the third year of his 10-year sentence. Bobeda has already completed an abbreviated version of his sentence and had been trying essentially to clear his name. Separately, the Supreme Court ruled November 30 that no new evidence had surfaced to merit reconsideration of Oviedo's sentence. Several Oviedo supporters protesting Oviedo's continued imprisonment crucified themselves November 29 in downtown Asuncion, evoking shock but producing no impact on legal decisions.

UN OFFICIAL DISCUSSES TORTURE

13. (U) Manfred Nowak, the U.N. Special Rapportuer to the U.N. High Commissioner for Human Rights, released his preliminary findings on "Torture and other Cruel, Inhumane or Degrading Treatment in Paraguay" to members of the Diplomatic Corps November 29. Nowak noted that torture "does exist" in Paraguay however, he found the government willing to address the problems that exist. He stated persons are most likely to encounter torture or inhumane treatment while in police

custody. Nowak referred to testimonials about forced confessions via the use of suffocation and/or tools to squeeze testicles. (NOTE: According to Attorney General records, no one has been prosecuted or convicted of torture since 1999. END NOTE).

¶4. (U) The Special Rapportuer's report asserts that corruption in the prison system is endemic because the government does not provide basic needs. Nowak described conditions as "alarming," expressing concern about unsanitary food, health conditions, limited authority of guards over prisoners and inadequate dormitory facilities. The report found no evidence of forced recruitment of children by the military, however, hazing still remains a problem. (NOTE: The U.N. is preparing human rights booklets for distribution to soldiers. Henry Jackelen, the U.N. Resident Representative, stated that the U.N. plans to establish a working group with the Diplomatic Corps to evaluate the human rights programs and progress in Paraguay. END NOTE).

PENSION FUND PRESIDENT INDICTED

¶5. (U) The president of the Municipal Pension Fund, Edgardo Gomez Zaputovich, was indicted November 27 by prosecutor Rocio Vallejos of the Attorney General's Economics Crime Unit. Gomez Zaputovich allegedly accepted bribes and caused significant economic loss to the Fund by proposing and ordering unreasonable purchases of stock. The total economic loss caused to the Fund amounts to approximately USD 400,000. The indictment is based on evidence provided by the Support Unit of the Office of the Controller,s General, which receives technical assistance from USAID. The head of the Municipal Pension Fund,s investment department and one member of the executive council were also indicted for their involvement in causing economic loss to the Fund.

SECURITY EXPERT TALKS ABOUT MILITARY TRANSFORMATION

¶6. (U) Dr. Michael Gold-Biss, a National Security Professor at the Center for Hemispheric Defense Studies at the National Defense University, conducted a series of meetings with VP Luis Castiglioni, Members of Congress and senior military officials November 27-30 regarding military transformation and modernization. Gold-Biss stressed the need for Paraguay to develop a national security strategy with guidance from the President, in order to modernize and transform the military into a force that can meet the challenges they face internally and in the region. Gold-Biss and Vice Presidential Advisor Juan Facetti are working on creating a working group of some 10-12 experts who would convene potentially in February 2007 -- as a follow-up to the CHDS seminar in Asuncion in September 2005 -- with a view to developing a National Security Strategy. (COMMENT: Gold-Biss' visit occurred at an opportune moment with the identification of a new Commander of the Armed Forces in General Bernardino Soto Estigarribia, who has sounded a commitment to military reforms. It remains to be seen whether Soto will be able to garner sufficient support from disparate political sectors to forge a meaningful and implementable defense strategy. END COMMENT).

SUPREME COURT JUSTICE FRETES REJECTED BY OPPOSITION

¶7. (U) The Senate, controlled by the opposition, rejected the confirmation of Supreme Court Justice Antonio Fretes to another five-year term. The opposition (including Colorado dissident Senator Julio Dominguez) voted 27 against 17 Colorado votes for Fretes. The opposition set its sights on removing Fretes immediately following the Supreme Court's decision in early 2006 to allow President Duarte to simultaneously assume the presidency of the Colorado Party. Fretes was one of 5 Supreme Court Justices that sided with Duarte. The opposition argued the Supreme Court's decision was in violation of Article 237 of the Constitution which prohibits a sitting president from holding other positions. Fretes will remain a Supreme Court Judge until the selection

process produces a candidate that can win a majority of votes in the Senate. Meanwhile, Fretes has filed his own legal challenge to his tenure being terminated.

PARAGUAY RANKED AN IMPERFECT DEMOCRACY

¶8. (U) The Economist Magazine recently ranked Paraguay 71 among 167 countries in its "The World in 2007" Democracy report. Paraguay is ranked in the group of states considered to have an "imperfect democracy," including Brasil (42), Peru (75), and Bolivia (81). Paraguay received its lowest scores in: Cultural Politics, Political Participation and Government Functioning. Its highest rankings were in Electoral Processes and Civil Liberties.

GOVERNMENT REDUCES TIME TO OPEN BUSINESS

¶9. (U) The World Bank's global survey estimates that it takes an entrepreneur a glacial 74 days (on average) to register a business in Paraguay. The Government of Paraguay unveiled November 27 a simplified business registration system to slice that time in half, and reduce average start-up costs to an entrepreneur from an estimated USD 850 to USD 200. With assistance provided from the USAID-managed MCA Threshold Country program, seven varied government institutions, including the Ministry of Industry and Commerce, the Supreme Court, and local governments, came together and committed three months ago to fix Paraguay's business start-up process. Paraguay has now put the simplified system into operation, and will look for ways to reduce time and cut costs even further. Further reductions will require Congressional approval of specific legal reforms. The goal now is to obtain those legal changes and drop the registration time down to a blistering fast 9 days. Who could possibly object? Only those currently getting

kickbacks from the current system.

LANGUISHING CORRUPTION CASES, AKA IMPUNITY

¶10. (U) The University in Asuncion (UNIDA) released the results of a comprehensive analysis of the fate of economic crime and corruption cases opened in Paraguay during 2001-2005. This study, conducted with USAID support, was the first of its kind since Paraguay moved to a new criminal procedure system. Looking in-depth at all 80 economic crime cases that reached the accusation or trial stages, the analysis revealed extraordinarily long delays at every step of the process, which in many instances dramatically exceeded timeframes set by law. A startling 77 percent of the cases ultimately just expired under the statute of limitations. Wealthy or well-connected defendants often simply play "beat the clock," filing motions that simply prevent legal progress -- and lead to legalized impunity. Key judicial leaders have commented to USAID that the results and the data obtained will reinforce efforts to improve efficiency and combat corruption in the system.

HIV/AIDS PREVENTION

¶11. (U) The Global Fund for HIV/AIDS, Tuberculosis and Malaria recently approved USD 9.1 million in funding for Paraguay's proposal in HIV/AIDS prevention. The program will focus on six regions where the epidemic is concentrated or where the potential for fast growth of the epidemic is indicated, including places where there is high migration to/from neighboring countries (Brazil/Argentina) with higher prevalence; an increase in trade, drug use, and/or sexual exploitation; or limited access to health services. Funding will be administered by a leading Paraguayan NGO, the Center for Investigation in Development (CIRD), a key USAID partner in both democracy and public health with a proven track record in successfully managing funds to produce expected results.

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